

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 L-03 FRB-03 OMB-01
ITC-01 SP-02 ICA-11 AGRE-00 AID-05 CIAE-00
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FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3628
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA

C O N F I D E N T I A L PARIS 19780

E.O. 11652: GDS
TAGS: UNCTAD, ETRD
SUBJECT: UNCTAD COMMODITIES - JUTE

REF: STATE 131760

1. JEAN-CLAUDE PREVEL, WHO IS RESPONSIBLE FOR UNCTAD
MATTERS AT THE GOF FOREIGN TRADE MINISTRY,
RECENTLY MADE THE FOLLOWING COMMENTS ON JUTE IN RESPONSE
TO OUR PRESENTATION ALONG LINES SET FORTH IN REFTEL.

2. INITIALLY AGREEING WITH OUR ARGUMENTS, PREVEL SAID
THAT RAW JUTE PRICES WERE NOT FLUCTUATING THAT MUCH,
AND THE ECONOMICS OF THE SITUATION INDEED DID NOT
APPEAR TO JUSTIFY INTERNATIONAL PRICE STABILIZATION
MEASURES SUCH AS THOSE PROPOSED BY THE UNCTAD SECRE-
TARIAT. HE NOTED THAT JUTE WAS A HIGHLY ELASTIC
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COMMODITY FOR WHICH SUBSTITUTES WOULD BE INCREASINGLY
USED SO LONG AS RELATIVELY HIGH PRICE LEVELS WERE
MAINTAINED BY PRODUCERS.

3. ALSO, HE SAID GOF AGREED THAT, WITH PRODUCING
COUNTRIES NOW ALLOCATING SUCH A LARGE PART OF THEIR
PRODUCTION TO DOMESTIC PROCESSING, THE AMOUNT OF RAW

JUTE REACHING THE WORLD MARKET HAS DWINDLED TO THE POINT WHERE THE ECONOMIC SIGNIFICANCE OF THAT MARKET IS NO LONGER AS GREAT AS IT ONCE WAS.

4. THEREAFTER, HOWEVER, PREVEL'S LINE OF REASONING RAN COUNTER TO OUR OWN. HE SAID, THE DECLINE OF THE SIZE AND ECONOMIC SIGNIFICANCE OF THE WORLD RAW JUTE MARKET WAS NOT REPEAT NOT ACCOMPANIED BY A DECLINE IN ITS PSYCHOLOGICAL AND POLITICAL SIGNIFICANCE WITHIN UNCTAD. AND SINCE THE MATTER WAS ONE OF CONCERN TO SOME OF THE NEEDIEST LDC'S, HE SAID THE GOF WOULD PROBABLY CONCLUDE--EVEN GIVEN GOOD ECONOMIC RATIONALE TO THE CONTRARY--THAT A DECISION TO SUPPORT AN UNCTAD STABILIZATION SCHEME WOULD BE HELPFUL IN THE NORTH/SOUTH POLITICAL CONTEXT. HE CONCLUDED THAT, GIVEN THE SHRINKING SIZE OF THE MARKET, ONE COULD HOPE THAT THE AMOUNT OF FUNDS REQUIRED TO SUPPORT SUCH A SCHEME WOULD NOT BE TOO GREAT.
HARTMAN

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